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COMMUNITY AFFAIRS REFERENCES COMMITTEE

Reference: Child care funding

THURSDAY, 25 JUNE 1998

CANBERRA

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SENATE
COMMUNITY AFFAIRS REFERENCES COMMITTEE

Thursday, 25 June 1998

Members: Senator Bishop (*Chair*), Senator Knowles (*Deputy Chair*), Senators Bartlett, Forshaw, Neal, O'Brien, Patterson and Payne

Substitute members: Senators Gibbs and Woodley

Participating members: Senators Abetz, Brown, Colston, Chris Evans, Faulkner, Gibbs, Margetts and West

Senators in attendance: Senators Bishop, Gibbs, Knowles, Neal, Patterson, Payne and Woodley

Terms of reference for the inquiry:

- (a) impact on families, children and child care services of:
 - (i) the abolition of grants and subsidies to child care and vacation care and any future abolition of operational subsidies for family day care services,
 - (ii) any reduction of families' access to Childcare Assistance and the Childcare Rebate,
 - (iii) families only being able to access child care subsidies in the form of Childcare Assistance and the Childcare Rebate if their children are cared for by carers other than the parents,
 - (iv) limits on and regional allocation of child care hours and places and the extent of unmet demand for child care places,
 - (v) any reduction in quality of services or the accreditation system, and
 - (vi) implementing the Child Care Payments Bill 1997 on 27 April 1998;
- (b) the extent and impact of:
 - (i) fee increases related to budget cuts,
 - (ii) child care service closures,
 - (iii) any reduction in child care places,
 - (iv) the use and nature of unregulated, backyard care, and
 - (v) any reduction in hours and services provided to children;
- (c) the effect of taxation, including but not limited to the Family Tax Initiative on parents and their ability and choice to participate in the paid work force or in the full-time care of their children;
- (d) the effect of child care subsidies (in the form of Childcare Assistance and the Childcare Rebate) being available only for families who contract out their child care to others, and not for those who provide child care at home;
- (e) the effect of fee increases and changes in the child care sector on women and their ability and

choice to participate in the work force;

- (f) the extent of reductions in Federal Government revenue from people leaving the work force because they cannot afford child care services and the additional cost to Government of social security payments to them and their families;
- (g) the impact on work-based child care and workers where fringe benefit tax exemption for employer-sponsored care has been denied and any restriction on child care places; and
- (h) the impact of the Government's changes on workers in the child care industry and their conditions, and associated job losses.

WITNESSES

CALDWELL, Ms Joanne Marie, Assistant Secretary, Office of the Status of Women, Department of the Prime Minister and Cabinet, 3-5 National Circuit, Barton, Australian Capital Territory 2601 615

LAWREY, Ms Christine, Acting Senior Adviser, Office of the Status of Women, Department of the Prime Minister and Cabinet, 3-5 National Circuit, Barton, Australian Capital Territory 2601 615

LANSDOWNE, Mr Richard, Assistant Secretary, Administration and Development Branch, Family and Children's Services Division, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601 . 625

McRAE, Mr Ian Stewart, Assistant Secretary, Subsidies and Financial Management Branch, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601 625

RAYMOND, Ms Judith Elizabeth, Assistant Secretary, Policy Analysis and Planning, Family and Children's Services Division, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601 625

SWIFT, Ms Denise, Acting First Assistant Secretary, Family and Children's Services Division, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601 625

COMMUNITY AFFAIRS REFERENCES COMMITTEE

Child care funding

CANBERRA

Committee commenced at 4.01 p.m.

CALDWELL, Ms Joanne Marie, Assistant Secretary, Office of the Status of Women, Department of the Prime Minister and Cabinet, 3-5 National Circuit, Barton, Australian Capital Territory 2601

LAWREY, Ms Christine, Acting Senior Adviser, Office of the Status of Women, Department of the Prime Minister and Cabinet, 3-5 National Circuit, Barton, Australian Capital Territory 2601

CHAIR—I declare open this public hearing of the Senate Community Affairs References Committee, which is continuing to hear evidence into matters relating to child care funding. I welcome officers of the Office of the Status of Women. You will not be required to answer questions on the advice you may have given in the formulation of policy or to express a personal opinion on matters of policy. The committee has before it the submission from the Office of the Status of Women. Do you wish to make any alterations to that submission?

Ms Caldwell—No, Senator.

CHAIR—I now invite you to make a short opening statement and, at the conclusion of your remarks, I will invite members of the committee to put questions to you.

Ms Caldwell—The Office of the Status of Women monitors and provides advice on matters affecting the labour force participation of women. As such, OSW has a direct interest in the inquiry's terms of reference relating to the effect of fee increases and changes in the child care sector on women and their ability and choice to participate in the work force.

The question raised by this term of reference is a difficult one to answer with certainty. Child care is only one factor out of many—as we indicated in the office's submission—that influences or may influence the employment decisions taken by women with the care of young children. It is difficult, as a research issue, to determine the extent to which changes in child care arrangements on their own may affect participation and employment rates for women.

It is also important to note the potential influence of other factors, such as changes in interest rates and the overall state of the labour market, which may affect women and their ability and choice to participate in the work force. For example, the impact of changes to interest rates on households with mortgages may have a large influence on decisions. Unpublished time series data from the ANU indicates that changes in female participation, employment and unemployment, are very strongly influenced by broader labour market and social changes, and it is difficult to attribute these exclusively to changes in formal child care arrangements.

OSW is aware of research that further illustrates this: that the decision making process of parents, both male and female, with young children demonstrates the complexity of issues influencing labour market choices. The ABS surveys of women in the labour force and of discouraged workers also reflect this multitude of factors. OSW's research indicates that the

participation rates of women with young children have remained, overall, comparatively stable in recent times, fluctuating at between 58 and 59 per cent.

The stability continues to be apparent when participation rates are broken down into subgroups of full-time and part-time employment. A further observation that we make in our submission is that the employment situation for women has, overall, been quite positive. Women's employment has risen by 2.5 per cent between May 1997 and the most recent figures in May 1998, with trend figures showing a steady rise in female employment levels since June 1997.

We acknowledge that these figures are, of course, broad aggregates. However, they provide a good indication of the overall stability of the labour market for women with young children. This stability, which we noted in our submission, has continued since the time of our making the submission in February. Of course, seasonal variations continue to occur, such as annual changes in participation rates around the new year and early in the year. However, the overall trend is stable and positive.

More detailed data on changes in the participation and employment patterns of women, specifically women with younger children, can be difficult to get. Drawing conclusions on anecdotal information and the results of narrow surveys gives one perspective, but it may not give the whole picture. OSW is currently negotiating with the Australian Bureau of Statistics to continue to purchase more disaggregated employment data on young women to conduct ongoing analysis of this aspect.

We are, of course, aware that the inquiry has heard a range of evidence from witnesses suggesting that women with young children are leaving the work force, and this has been attributed to changes in child care arrangements. We do, however, note that at any given time there is a natural turnover rate among the employment market, with individuals entering and leaving and, as I indicated earlier, this represents the sum of a range of influences, both financial and non-financial, on individual choices. Child care is certainly a factor in these decisions, but it tends to be dwarfed by other movements.

OSW is also aware of reports in evidence to this committee and elsewhere of increased out-of-pocket costs of child care and of the increased gap fees faced by some families. While this gap has been increasing in recent times, these increases were occurring prior to the recent reforms. The available statistical information, in summary, suggests that the influence of child care on the employment participation of women has not changed, or in a marginal manner at most. OSW continues to look into the employment situation for women against this context and to inform government on how issues like child care may have an influence on women's participation. That completes my opening statement.

CHAIR—Thank you. Ms Lawrey, would you like to comment at this stage?

Ms Lawrey—No, thank you.

CHAIR—We will open it up for questioning. I have one issue to pursue with you, Ms Caldwell. At the bottom of page 3 of your submission, in the final paragraph, it says:

In order to gain a better insight into the factors that influence the participation of women with children in the labour force, the Government has commissioned research.

This research will be qualitative and provide an insight into the range of factors influencing workforce participation.

You conclude by saying that this will be a better basis for analysing and understanding the labour force participation of women with dependent children. Can you outline to the committee the detail and background of that research? Who has it been let to? What will it cost? What is the time period? What sort of work are they doing? What preliminary advice have you had from the consultants?

Ms Caldwell—The nature of that research consists of a project that was offered by tender to Eureka Research Consultants. The research is a joint exercise between our own office and the Department of Health and Family Services and the Department of Social Security. The purpose of the research is to gather qualitative information regarding the range of choices that affect women's participation in the labour market. The nature of the research consists of a series of panel groups and focus discussions conducted in capital cities throughout Australia and in some regional areas as well, meeting with groups of women and men to represent a broad cross-section of the community.

The participants in the research have been selected to represent high, medium and low income families—families with sole parents as well as partnered couples. It looks at exploring with women the choices that have led to the particular patterns of work force participation that they have experienced.

The results of the research have not yet been finalised, but the type of preliminary advice that is coming from it indicates that there is quite a complex web of influences that goes into the decision making processes of couples in deciding the timing and nature of women's engagement in the work force and how that is influenced by the presence of children and the cost and affordability of child care.

It would be true to say that child care was an area we were particularly interested in pursuing in this research—the actual focus groups were conducted in the latter half of last year and the beginning of this year—what is coming to the forefront is that couples make quite a complex decision based on an array of choices and considerations that has much to do with their overall financial situation and with the types of choices they make as individuals in terms of what type of work force participation they want to have. It is also moulded by the availability of jobs, either with the employer of the woman before she commences a family or with other opportunities in the labour market.

In broad terms, the research confirms that it would be difficult to identify any single factor that overwhelms the influence of the whole matrix of the situation, of the whole family circumstances, and what they feel it is in their best interest across a range of affordability, access and personal views, both for and against the role of formal child care as opposed to preferences for caring for one's own children, especially at very young ages, and also the extent to which employers are able to offer flexible part-time arrangements, or their ability to hook into family friendly work practices, and the availability of leave to cope with situations where a child needs a parent present.

So what has built up through that research is very much an aggregate picture that for some individual women and families there is a strong attachment to the work force, for reasons beyond immediate financial concerns, in terms of their ongoing continuation and keeping their skills fresh and the availability of opportunities to exercise that. Others make, essentially, quite a different set of personal value judgments about the premium they place on being able to be at home to look to the care of their own children.

We also saw quite a diversity of opinion as to the value of formal and in-home care, with users of child care services typically stating the value they put on the experience of their children mixing with other children whereas other families in otherwise similar circumstances expressed quite strong views on the premium they placed on being able to look after their own children, at least until the time they returned to work.

So I think what the research really pointed out to us was the extent to which there is a diversity of community opinion in this whole area and how complex are the choices and weighing up processes that families make. There was no single homogenous picture that emerged. Chris may want to add to that.

Ms Lawrey—I just wanted to add that the focus groups were undertaken with families where the mother was working and families where the mother was not working. They were undertaken quite separately to get a picture of if they were working, why they were, and if they were not, why they were not. Jo has outlined that very well.

CHAIR—Has the focus group process concluded?

Ms Caldwell—The focus groups have concluded.

CHAIR—And the consultants are now in the process of analysing the information?

Ms Caldwell—Yes.

CHAIR—When do you anticipate that process will be concluded?

Ms Caldwell—In the near future. We have an initial draft available to us from the consultants, which they are currently finalising. The research was commissioned with a view to providing advice to the government in these areas. At this stage, we do not have a date for the public release of that.

CHAIR—Will you be able to provide a copy of that final report to the committee when you have it in your office?

Ms Caldwell—We should be able to do so. I am just not sure of the timing of the committee.

CHAIR—Can you take that issue on notice and take advice from the minister because I am sure the committee would be interested in receiving that research? If the committee finishes its job prior to finalisation, I am sure individual members will still be interested in looking at your report.

Ms Caldwell—Yes.

CHAIR—What was the cost of that report?

Ms Lawrey—I think it was around \$60,000.

Ms Caldwell—We should be able to confirm the cost of that. If we cannot in the course of this afternoon, I can certainly advise that to you. But it was of that order.

Senator NEAL—Who conducted the research?

Ms Caldwell—Eureka Research Consultants, after a process of open tender.

Senator NEAL—Why did you choose to conduct qualitative research rather than quantitative research?

Ms Caldwell—The main issue that we were concerned with in looking at this research was to augment the information that was already available to us through quantitative measures such as the Bureau of Statistics surveys and labour market report information. The research was concerned in particular with fleshing out some of the qualitative factors to explain the behavioural patterns or trends in employment, unemployment and participation that quantitatively are available through the ABS measures. We were particularly interested in conducting this research and getting a cross-section of the community to clarify the issues through a process, initially, of focus groups, then of small group sessions across a range of income distributions, family types, participation in the work force and usage of child care to really unpack the qualitative influences on decisions.

Senator NEAL—But the Department of Health and Family Services itself said that one of the big problems they have is that they cannot really tell because the ABS figures relate either to women totally or to women with children under 15 years of age. Generally, at least for long day care, children are much younger than that. It is a major hole in their research. That is quite contrary to what you are saying, that the quantitative figures are provided by the ABS. In fact they are not. Why didn't the Office of the Status of Women look at that figure of working women with children at that sort of age group?

Ms Caldwell—Your question goes to the issue of the availability of quantitative information. The research issue that the office was most concerned about was in fact the qualitative aspect of this. I certainly take your point in terms of the ABS figures, but they look at different cohorts of women and through the various surveys look at different groups of women with different characteristics. In our research program we did not want to augment the quantitative area of it. This has been, I suppose, a longstanding issue in social policy as well as on the office's own work plan: to really get behind what we knew of the observed participation of women and, in particular, to look at participation choices by families. So we really had a different research question that could not have been answered by a quantitative approach alone.

Senator NEAL—What I am saying is that there is no quantitative information available for women in the work force with children under the age of six years. Why did you choose

not to do that? I understand why you are doing the qualitative research; that is fairly obvious. But there is a fairly major gap in our knowledge and I would have thought that it would have been obvious to fill that before you went on to do the qualitative research.

Ms Caldwell—We did not see what you perceive to be a gap. We have an aggregate of information through the ABS figures and also the administrative data that is routinely available through the Department of Health and Family Services. At the time the research was commissioned, it was the judgment of the office that it was the qualitative dimension that would be most relevant to us in a policy sense in order for us to get a better picture of the role that child care, and indeed a range of other issues, played in women's overall work force participation which, as I mentioned in my opening statement, was really the perspective that was of particular concern to our office in looking at the picture of women's work force participation. We thought that to be able to look at this qualitative area, which had perhaps been less explored than some of those quantitative areas, represented best value to us.

Senator NEAL—Was that research done at your own initiative or was it requested by the Prime Minister or the minister advising the Prime Minister on these matters.

Ms Caldwell—It was on our own work plan as part of our ongoing research activity and policy development activity within the office and, in particular, under our work area of women in the labour force. This was a planned research topic that had been on our work plan.

Senator NEAL—This project was not mentioned when I asked in estimates about what research projects were planned.

Ms Caldwell—We are responding currently to questions from Senate estimates from you, Senator. It certainly was not a question that was put to us at the Senate estimates hearing and we are in the process of providing answers.

Senator NEAL—Yes, it was asked at the Senate hearing. I ask it every time I appear.

Ms Caldwell—No, we did not get to speak to you at the most recent Senate hearings.

Ms Lawrey—We did not get to come to the table at all. We had questions on notice only this time.

Ms Caldwell—Yes. Our program was not raised, so there was no question at that time.

Senator NEAL—Could I ask a few questions about participation?

CHAIR—No, you cannot, Senator Neal. You interrupted my line of questioning.

Senator NEAL—I thought you had finished.

CHAIR—No, I had not. I had almost finished. It is now the turn for government senators.

Senator PAYNE—Ms Caldwell, in relation to your reference to anecdotal information and narrow surveys, have you gathered any information from any of your state counterparts—departments of women or similar operations—on their views about child care questions and participation of women and so on?

Ms Caldwell—We have not conducted a formal survey of state jurisdictions on child care and would not normally, in the course of events, necessarily turn to those sources. The office does not operate on the basis of having a coordinating role of drawing together those other jurisdictions.

Senator PAYNE—I understand. We received evidence in New South Wales from the director of the Department of Women, Robin Henderson, in relation to participation questions. Ms Henderson stated that it was absolutely the case that the participation rate was falling. When we pursued evidence of that question, we were again referred to the surveys. Are you not aware that the New South Wales department has any further information?

Ms Caldwell—They have not raised with our office the results of those surveys.

Senator PAYNE—Thank you.

Senator NEAL—You must, I assume, read the newspapers. In the *Sydney Morning Herald* earlier this week there was an article by Tom Allard, with which I am sure you are familiar. This has been the second article to state figures that they have obtained from the Australian Bureau of Statistics which are quite contrary to figures that are continuously put to us from the department and yourselves. I assume that you are the source of these figures. It gives three sets of figures: one for women generally, one for women with children under 15 and one for single mothers.

If I look at your submission, the figures are wildly different. These are figures from March 1996, which is obviously the election, to April this year. The *Sydney Morning Herald* says:

. . . the trend participation of all females has dropped only slightly, from 53.7 per cent to 53.6 per cent—

but the participation rate of women with children under 15 who are participating in the work force has dropped from—

59.1 per cent to 58.6 per cent in trend terms . . .

For the same period for single parents the participation rates have dropped from 50.5 per cent—the most marked—to 49 per cent over that same period. What concerns me is that these are figures that have been obtained from the Australian Bureau of Statistics and they firmly show quite a different picture from that being proposed by yourselves. Do you have any explanation for that?

Ms Lawrey—Can I ask what was the period again, please?

Senator NEAL—It is from March 1996 to April 1998, basically the term of this government. Shall I repeat the figures or did you get them?

Ms Caldwell—In our submission and again in my opening remarks, I mentioned the fluctuation in volatility and the trends that emerge. Point in time figures often do have that sort of volatility in them. Both in our submission and in the analysis that the office has undertaken, we see changes. For example, in March one expects the trend to be more healthy than it would be during the new year area.

Senator NEAL—One is March and one is April. They are only one month different within the year and you would think the normal seasonal adjustments would be the same from year to year.

Ms Caldwell—But when you look at the trend line over a greater period than that, we see that the figures fluctuate continually between the 58 point area and the 59 point area. So we have commented in our submission that, while there is some volatility and change over time, there is not a wholesale erosion in any way and that those are the types of movements that we have had. The figures have essentially moved around a fairly stable trend line. The figures have moved around 58 and 59. So picking month to month variation or a month some time ago and a month now is within the normal volatility that has been experienced over time throughout women's labour force participation. The underlying trend series is not showing an erosion. There are marginal changes.

Senator NEAL—But they say exactly the opposite. They say the figures they have from the ABS show that the trend figures are showing a decline. Maybe you could explain this to me. The figures they are quoting are around that 53 level, but your figures in chart 2 of your submission—

Ms Caldwell—What is the 53 figure that you are referring to, Senator?

Senator NEAL—For women with children under 15, the figure is 59.1 going down to 58.6, which may be small in percentage terms, but in terms of the number of women that represents it is quite large. I just do not understand why the chart you have got on—

Ms Caldwell—Senator, it might be helpful if I read out some of the figures in the intervening period, to give you an idea of the reason why—

Senator NEAL—Can I just finish my question? Why is it that, where there is a chart in your submission, the percentages are down? You quoted part-time and full-time separately, so they are down in the 30s and 20s. Why did you do the chart separately rather than together, which is the normal way it is done?

Ms Caldwell—Your question is on the figures or our choices as to our chart?

Senator PAYNE—Isn't it a table from Labour Force Australia?

Ms Caldwell—I am not familiar with the unpublished data to which that article referred.

Senator PAYNE—But in your submission, isn't that a table from Labour Force Australia?

Ms Caldwell—Yes.

Senator PAYNE—What I am saying is that it is not an invention of OSW.

Ms Lawrey—Not at all.

Senator PAYNE—It is a table from Labour Force Australia.

Senator NEAL—But what I am asking is: why select to use that particular format for the figures?

Ms Caldwell—We use the best available figures.

Ms Lawrey—That is original data in our submission which is what is published by Labour Force Australia. We have subsequently purchased the seasonally adjusted and trend series, which is what the *Sydney Morning Herald* are using. They have also purchased that. That will explain some slight differences in figures. We do now have the seasonally adjusted figures. The figures you are quoting are the figures that we have.

Senator NEAL—Are the labour force figures measuring a different thing? Do they take their statistics in the same way as the ABS does or do they measure them through some other way?

Ms Caldwell—The labour force figures are an ABS publication. The figures are presented in different ways, either as original series data, seasonally adjusted data or as trend data. The latter figures are seasonally adjusted and trend data are different computations of the figures designed to smooth out the volatility of the original raw statistics.

The figures that we included in our submission in February had to do with the published data which was the original series data. We have since purchased, as part of our ongoing investigations into an area that obviously affects women, the breakdown of them. We used the published ABS standard series data in our original February submission. I am not familiar with which particular unpublished figures this article refers to—

Senator NEAL—You just said that you had purchased these figures yourself—the same figures that the *Sydney Morning Herald* has.

Ms Caldwell—In addition to the routinely published original series data, we have additionally purchased seasonally adjusted and trend series data. I assume, but do not know for a fact, that those are the data from which the *Sydney Morning Herald* would be drawing its statistics.

Senator NEAL—If you have the same figures as the *Sydney Morning Herald* has, why is it that your conclusions are vastly different from theirs?

Ms Caldwell—I think that might be illustrated—to complete the point that I was going to make—in the fact that there is a volatility in all the series of figures, from one point in time to another. If we go back the last four to six months, we can see that the original series data showed a dip in January, which is consistent with the type of participation that happens over the Christmas-New Year period. Original series participation rates rose from 54 per cent to 58.4 per cent and 58.9 per cent in March and 58.8 per cent in April.

Senator NEAL—We know it varies during the year but, obviously, to get any sort of accurate comparison you would have to compare roughly the same time one year with roughly the same time the next year. What they are saying is that from roughly one year to two years later at roughly the same time—March and April—there has been a variation on a trend basis.

Ms Caldwell—All I am saying is that the overall figures are moving around a trend line that, if we look at the trend series—which probably goes closest to the area of issue to you, which is the underlying trend figures beneath the volatility—the figures going back to 1995 and, indeed, for two years before that, have fluctuated consistently around 58 or 59 per cent. What we are seeing now in the trend series data, which shows, in the last six months, increases from mid-58 per cent—58.5, 58.4, 58.5 and 58.6—is that the trend is largely level or, in fact, improving in recent months.

Senator NEAL—What this is saying is that, in fact, it is not an even trend. It has gone down, of course, during the year in the normal seasonal fluctuation; but in fact the general trend is downwards. I do not think anything can be gained by asking any more questions.

CHAIR—I understand the point you are making and it is on the record.

Ms Caldwell—Could I say that we had regard to changes over time in putting together our submission and, indeed, looking at this whole area. While there are movements in the overall picture of women's participation over a number of years, we did not conclude that these movements were aberrations or atypical or that they were more than moves around the margin.

CHAIR—The easiest way to resolve this issue that has been raised by Senator Neal might be if you look at the data that the *Sydney Morning Herald* based their publication and conclusions on, update your chart too, and provide us with your comments and analysis in writing and then we can consider that. That might be the quickest way to do that. We have come to the time for the end of this session. Thank you to the representatives from the Office of the Status of Women.

[4.35 p.m.]

LANSDOWNE, Mr Richard, Assistant Secretary, Administration and Development Branch, Family and Children's Services Division, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601

McRAE, Mr Ian Stewart, Assistant Secretary, Subsidies and Financial Management Branch, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601

RAYMOND, Ms Judith Elizabeth, Assistant Secretary, Policy Analysis and Planning, Family and Children's Services Division, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601

SWIFT, Ms Denise, Acting First Assistant Secretary, Family and Children's Services Division, Department of Health and Family Services, GPO Box 9848, Canberra, Australian Capital Territory 2601

CHAIR—I welcome officers from the Department of Health and Family Services. You will not be required to answer questions on the advice you may have given in the formulation of policy or to express a personal opinion on matters of policy. I would like to put on the record that, following the committee's earlier hearings, additional information was sought from the department concerning a number of issues which arose in evidence. Information has been supplied by the department in response to those requests. I thank Ms Denise Swift and Ms Judy Raymond for their assistance. The committee also has before it the submission from the Department of Health and Family Services. Do you wish to make any alterations to that submission?

Ms Swift—No, thank you.

CHAIR—I now invite you to make an opening statement and at the conclusion of your remarks I will invite members of the committee to put questions to you.

Ms Swift—Throughout it we also have some handouts which, if you like, we could present to the committee so that you have them as we go through the opening statement.

CHAIR—That would be most useful.

Ms Swift—Would it be useful to have them as overheads as well? We have those too if that would help.

CHAIR—It would, yes.

Ms Swift—Thank you for the opportunity to make this short presentation to the committee, to supplement the information we have provided in our written submission. If you would like, I am happy to take questions on the way through. Some of the information is fairly detailed, but I am also happy to read the whole statement through.

CHAIR—How long is your statement, Ms Swift?

Ms Swift—It is about 15 minutes.

CHAIR—I think it might be easier if you read your statement and the senators will take notes and points and come back; otherwise we could get distracted with lengthy discussions.

Ms Swift—We know that the last two years have been a time of considerable change and adjustment for child care in Australia. Our written submission sets out the historical context for the current child care system and a range of factors which are influencing child care at present. The government's recent reforms, while significant, are just one element of the forces leading to the change being experienced in child care. Given this situation, we are making it a priority to closely monitor the changes being experienced by child care services and by families. I will go on later to discuss more fully the range of mechanisms we have in place and intend to employ to make sure we know what is going on.

Firstly, I would like to focus on setting out our understanding of the key issues in child care at present. In doing this, I hope to address the major issues which we have heard raised in the course of this inquiry. By way of background, it is important to remember that to talk about children in the long day care sector, that is, centre based and family day care, is to talk about only 30 per cent of all children below school age. The vast majority of young children—over two-thirds—are cared for at home either by parents, relatives or under other informal arrangements, and in many cases this is the parents' preference.

The government's Child Care Program is funded to give low and middle income families with young children access to a greater range of options and to help them to balance their work and family responsibilities. However, at the same time, the Commonwealth must balance the allocation of finite resources across an enormous range of diverse interests and competing community needs. In making decisions about child care funding, the government must weigh up the formal child care needs of families with the broader demand for government spending on the range of services provided for people at various stages in their life cycle. The Child Care Program demonstrates the government's ongoing commitment to assisting families to access high quality care within a framework of efficient processes, effective targeting and overall fiscal responsibility.

One critical issue facing child care at present is the affordability of child care. The government allocates a substantial amount of money each year to child care—more than \$1 billion every year. What we need to understand is how much that funding is assisting families.

Overhead transparencies were then shown—

Ms Swift—Handout 1—I know you cannot read those figures off the overhead from there so you will have to read them from the tables—illustrates the amount of assistance the child care subsidy provides to families. From this you can see the difference the subsidy makes in relation to the proportion of income a family spends on child care fees. As you can see, this modelling has been done on disposable income, as we were requested to do. You will see that, for a two-parent family, earning \$45,000 a year, with two children in full-time

care, the cost of child care without subsidy would be 43 per cent. Government assistance reduces this to 18 per cent.

Most discussion and, particularly, media attention on the issue of child care fees seems to suggest that the government is responsible for increasing costs to parents and for forcing centres to raise fees at an unacceptable rate. It is important to emphasise that the government does not set fees, services do—taking account of factors such as changes in wages, changes in state regulations and increases in overheads, such as rates. We have no control over the fee a service chooses to charge or how they calculate that fee through their own charging practices. What we do know, as outlined in our submission, is that the average full-time weekly fees set by services have increased by \$8 to \$10 annually over the last few years. The second handout shows the steady increase in average weekly fees since 1992.

As illustrated by the next two graphs, which are current to May 1998, the average fee for private centres is \$157 and for community centres it is \$163. More significantly, these two graphs show that over 90 per cent of all services charge a full-time fee of \$180 per week or less, which confirms for us that anecdotes of fees of over \$200 or more per week are certainly not what the majority of centres are charging. This pattern of fees has remained relatively constant over time. In other words, some services have always charged fees above those that the majority of centres are charging. These fee increases have certainly contributed to the increase in the gap payment a family must pay for child care, and the government is constantly monitoring this situation.

One solution often called for is an increase in the level of Childcare Assistance payable to families, although there are reasons why such a step may not actually assist families. For example, previous experience has shown us that the probable response to an increase in the level of Childcare Assistance paid to families is a further increase in fees. We queried a group this morning, in fact, to ask them about strategies for how you would not pass that on—it was a group of private centre operators—and it is really quite a difficult problem to work through.

One step the government is taking to address this issue is the review of Commonwealth funding and services charging practices being undertaken by the Commonwealth Child Care Advisory Council. We already know that many services utilise charging regimes that do not reflect families' actual use of the child care centre, which means families and the taxpayer end up paying for care that is not actually used by families. The council will consider this issue in close consultation with services via the major peak bodies and is expected to provide a report back to the minister in early 1999.

There has been a lot of media coverage suggesting that women are being forced out of the work force to care for the children because they can no longer afford formal child care. This issue is closely linked to the utilisation of child care services, as overall demand for child care is related to the number of mothers participating in the paid work force. We have undertaken considerable analysis of the available statistics on women's work force participation and we can find no evidence to suggest a decrease in women's labour force participation.

The committee has already been provided with much of our analysis. We have looked at overall participation rates of women with dependants, the number of hours worked by women and the rates of participation of women with children aged nought to four. In none of these areas has there been significant movement of women out of the work force. In fact, the labour force participation of women with dependants has remained constant, at around 59 per cent, since March 1996.

Handouts 5 and 6 provide further information on the analysis we have undertaken. The one you have already had is handout 5. Handout 6 gives the more detailed information about total employed, part-time and full-time, and unemployed.

CHAIR—If I could interrupt you there, could you explain handout 6?

Ms Swift—I will get Ms Raymond to work through the detail of that—I think that is probably easier.

CHAIR—In particular, the four horizontal lines.

Ms Raymond—This graph is based on the ABS labour force survey. It just shows the employment status of married women—it is probably of all women—with children aged nought to four. What we have done is worked out the number of women who are actually employed. It shows whether they are employed part-time or full-time, or whether they are unemployed, and those figures are expressed as a proportion of all women in that particular category. It is just a participation rate concept.

CHAIR—Thank you. Ms Swift.

Ms Swift—Another major issue facing child care is the falling utilisation of services across the country. We are working to tease out the variables involved in this phenomenon so we can make better decisions about planning and supporting the child care services. We know that between the 1995 census and the 1997 census the number of children in long day care centres increased by about 17 per cent and the number of Childcare Assistance hours paid to centres also increased by about 10 per cent. So why are some services struggling?

As explained in our submission, the child care sector grew significantly, and largely unchecked, in the first half of this decade, with the number of services increasing dramatically since 1991 and the entrance of the private sector on to the scene. The investor led growth in the child care industry has seen a significant increase in private child care places since 1991. There were notable peaks in 1994-95 and 1995-96 when there were increases of around 20,000 private centre places in each of those years.

In the early 1990s, this growth was appropriate to match the unmet demand for child care services. However, the significant increase in private centre places between 1994 and 1996 has far exceeded the demand for them. Between December 1994 and December 1997, while labour force participation rates of mothers with young children remained relatively stable, the number of private child care centre places increased by 58 per cent. It is also worth noting that the population of nought to four-year-olds declined between 1995 and 1997, which is a phenomenon we were not experiencing before.

The graph in handout 7 illustrates my point. On one hand, you can see that places—the red line—have increased significantly. On the other hand, you can see the number of our target population—working mothers with children aged between nought to four—remained fairly stable. That is the green line.

Senator NEAL—Why nought to four?

Ms Swift—Because they are the children in our long day care centres.

Senator NEAL—But they go up to 6.

Ms Swift—In long day care centres?

Senator NEAL—Yes.

Ms Swift—Not for long day care.

Senator NEAL—Yes, they do. The only states where they do not are where they have free preschool, which are South Australia and—

Ms Swift—Children start school at five.

Senator NEAL—Six in New South Wales.

Ms Swift—No, five.

Senator NEAL—Six in New South Wales.

Ms Swift—No, it is five in New South Wales. I have a grandson who started school at five in New South Wales.

CHAIR—My daughter started at five.

Senator NEAL—You are not in New South Wales.

CHAIR—In Western Australia. There are other states—

Ms Swift—In fact, one of the issues which is causing some problem for the centres in utilisation areas is the fact that many of the states are making preschool mandatory and they are starting at four.

Senator NEAL—That is what I am saying—except for those states where they have the year before school.

Ms Swift—No, they do start at five and they have started at five for quite a while.

Senator PAYNE—It is five.

Senator NEAL—I have a child at school; have you?

Senator PAYNE—Oh, that would mean I would not know because I do not have a child in school.

Senator NEAL—Exactly.

CHAIR—Okay. Senator Neal has raised a point—you might take that on notice.

Ms Raymond—As you mentioned before, Senator Neal, when OSW were witnesses, we are confined to what ABS does publish. I do not think we can get any information on women's employment status if they have children nought to six. I think the categories are nought to four, five to 11 and then 12 to 15.

Senator NEAL—That was the only one you had available?

Ms Raymond—Yes.

Ms Swift—I think it is also more relevant. We will check the child starting age for school.

Ms Raymond—Across all states.

Ms Swift—It is a long time since my children have been at school, I have to acknowledge, so it may well have changed.

Ms Raymond—It is certainly five in South Australia.

Ms Swift—As a result, supply appears to be outstripping demand and the consequence of this has been—

Senator NEAL—They turn six in the year: post-August.

Ms Swift—We will follow that up. At the same time that we have oversupply in some areas, we know that there are parts of Australia, particularly rural areas, where there is still an undersupply of services. In order to address this situation, and ensure the long-term viability of child care, the government has introduced a national planning system to plan for the appropriate provision of new services. The government has also applied a cap on new centre based places for the next two years. The planning system is discussed at length in our submission.

I have just described a picture of utilisation of child care across centre based care which forms the major part of long day care provision in Australia. The situation in family day care is slightly different. We are aware that there has been a drop in the number of children in family services. We are also aware that family day care schemes have been finding it increasingly difficult to recruit care givers. This is evidenced by the decrease of 15 per cent in the number of care givers between 1995 to 1997. Over the same period, the number of

children using family day care decreased by around 11 per cent which is, of course, a consistent finding.

I would like to deal briefly with two components of the recent budget process which have received some attention: firstly, the actual expenditure of the Child Care Program for 1997-98 being lower than projected in the previous budget and, secondly, the forward estimates being revised to better reflect expectations. The actual expenditure for the Child Care Program for 1997-98 was lower than we projected. That was because of lower than expected growth in places and changed patterns of demand for child care. It was as a result of lower than expected growth which, in a number of new child care places in 1997-98, is 13,700 lower than we had previously projected.

An accounting adjustment was also made and involved \$25 million clawback Childcare Assistance which had been advanced in 1996-97. There was also a decline in the average cost per child place unit rate due to changed patterns of demand and changed eligibility conditions.

Lower than expected expenditure in the program is not unusual. It has occurred in previous years and merely reflects that our estimates were wrong last year or in previous years because of growth in earlier years. Obviously that has led to forward estimates of the program being revised to better reflect expectations about expenditure in the following four years. The revisions to the forward estimates are influenced by our lower than expected expenditure and the more moderate estimate of growth which we have carried out into the forward years.

There has also been a lot of discussion about centre closures. It is true that a number of centres have closed over the last couple of years. However, these closures have been more than offset by the number of centres which have opened. Like any industry, the child care sector includes successful and unsuccessful businesses. Many of those centres which have closed were suffering from poor utilisation and were faced with marginal viability prior to the implementation of the recent reforms. There are many factors which contribute to centre closures. In a competitive market environment in which families, as consumers, exercise their right to choose those services that best suit their needs, it is not surprising that some providers fall by the wayside.

The table in handout 8 shows the number of centre closures and openings over the last two years. What is interesting to note is the fact that since July 1996 there has been a net increase of more than 300 in the number of child care centres offering child care services to families. There has been a net increase in both community and private sector services. This figure compares with an increase of 845 new centres over a comparable previous two years. In the previous two years, the growth would have been about 845 centres. It is now 300, but there are still openings.

The Commonwealth is committed to improving and extending the accreditation and quality assurance systems across the full range of funded child care services. We have funded projects to develop quality measures for family day care and outside school hours care which have involved service providers and families. We have heard claims that the removal of operational subsidy for long day care has forced community based centres to cut

back on staff. They say that this means increased workload for staff who remain, impacting on the quality of care for children.

What we are finding—and I do not have the figures to hand at the moment because they are not fully cleaned—is that the early trends in this area are showing that comparison of staffing profiles of services in 1995 with 1997 suggest that the proportions of qualified staff to other staff, and paid to unpaid staff, seem to be remaining stable at the moment. All private and community based centres are required to maintain minimum staffing levels according to state government licensing regulations. Both private and community centres have achieved quality accreditation at essentially the same rate of around 90 per cent.

As I noted at the beginning of my presentation, a major focus of the program, particularly over the next year, will be to monitor the implementation of the government's reforms. At a general level, we know that we need to look at the whole spectrum of areas where the program might impact, focusing especially on the operations of child care services and on the choices of families in relation to child care. More specifically, there are a number of key areas which we may look into over the next year or so.

One major area of interest will be the program's relationship to other areas of government, particularly other government assistance programs. In this regard, one aspect we could look into more thoroughly is the economic benefits of Childcare Assistance in terms of the tax revenue received through parents' work force participation. In addition, we know that a priority for this year will be to get a better understanding of the issues currently affecting child care users, including families who may have moved from using formal to informal child care. Another critical area will be the results of the council's work on charging practices and child care fees, which will assist us to better grapple with the functions and structure of child care centres.

For some of the areas I have identified, our current data sources will be insufficient so we will need to put in place other mechanisms to track any changes. One option we currently employ is to use internal resources to sponsor research projects which target priority issues we have identified. In addition, we will need to enhance our current internal data sources to improve the information they provide. For example, the Census of Child Care Services is now an annual census of all Commonwealth funded child care services. In the past it was conducted biennially—every two years. We are also working towards the census being undertaken electronically, which will allow easier collection, storage and access to data, and, hopefully, allow us to get it out more quickly.

The 1998 census will be extensively drawn upon to investigate any changes in the outcomes of the program over the last year. We will also improve the collection of data through the Childcare Assistance claim forms which will now tell us about families using non-work related care and give details about immunisation. We have also introduced a new, more rigorous system to monitor the openings and closures of child care centres and outside school hours care services on a weekly basis. I think when I have given figures about closure before, I have always said we have to be careful about using them, because there is some unreliability because of our system, and we are moving to fix that. Monitoring openings and closures will continue to be a key area.

In relation to the outside school hours care reforms, which have only recently been implemented, we will be using information on fees and utilisation from the department's payment systems, as well as information from the agencies which provide support to outside school hours care services, to monitor any changes to these services.

In conclusion, I think it is important to note that this is a time of great change for child care in Australia. We have the demand and supply issues I have discussed, which need to settle to a natural balance. There are also a range of government initiated reforms, some of which have only recently been implemented, which will need time to take effect. There is no doubt that child care services are in a time of adjustment—significant adjustment in some cases. This, of course, has an impact on families. For these reasons, it should be noted that a deliberate decision was made in the recent budget not to make any more changes, but to allow services and families time to adjust to the changes occurring in child care and to give us a chance to monitor them. On our part, we intend to make the adjustment phase as smooth as possible through close monitoring and constant dialogue with all the parties.

CHAIR—Thank you, Ms Swift. Do other officers have an opening statement to make? If not, we will go to questions.

Senator NEAL—I remembered what date it is: you can start at five, but you must turn six by 31 July. So if your child does not turn six until after that date, they cannot start until the next year when they are six.

Ms Swift—I thought that was four and five, not five and six.

CHAIR—Thank you, Senator Neal.

Senator KNOWLES—Most of my questions have, in fact, been answered in terms of the presentation that has just been given. As you would well know, we have been subjected to some fair amount of information being passed over in the last few weeks. I want to first draw your attention to the comments that you made about the number of children who are cared for at home by parents or relatives. Would you mind restating that figure? I cannot recall the number that you said.

Ms Swift—About two-thirds of children are cared for by arrangements other than in our formal long day care.

Senator KNOWLES—The thing that worries me is that a quantity of evidence has been given which implied—not just implied; a lot of the evidence given actually rubbished it—that that sort of care was some substandard backyard arrangement. Is there any level of satisfaction among these parents that has been tapped into? That is a very large number of people who are supposedly using substandard backyard care? I can hardly understand why it is so substandard if so many people are using it—that is the point I am trying to make.

Ms Raymond—There is not a range of information available on parents' satisfaction with child care. The major source of information is the child care survey that is undertaken by the ABS every three years. The last one was 1996 and we are having the next one undertaken in 1999. We have been having ongoing discussions with the ABS to actually

improve the range of information we can get out of that particular survey. At the moment, I understand that is the only comprehensive source of information on parents' satisfaction with their child care arrangements, be they formal or informal.

Senator KNOWLES—That has been a fairly constant level, hasn't it?

Ms Raymond—Yes, that is right.

Ms Swift—A large proportion of the parents are saying that they are quite happy with the arrangements they have made, which are more often with relatives than informal. I am not saying the informal is not occurring. Certainly the evidence you heard in Queensland indicated that the informal care is on the increase; but, on the whole, parents prefer to leave them with a relative, more often than not.

Ms Raymond—We have done some focus group research and, in many cases, parents are saying that for younger children, particularly, say, under 12 months or under two years, they much prefer to leave them with a relative if the parents themselves are both in the work force. That is their strong preference. It is once the child turns two—I think that was the cut-off—that they then move them into some sort of formal child care arrangement. As Ms Swift said in her opening statement, one of the areas that we are wanting to investigate more fully is the arrangements that parents are using in terms of child care now and we will be exploring that further.

Senator KNOWLES—One of the things that mystifies me is the number of grandparents who would actually break their necks to look after the children, but that has been categorised, in evidence, as substandard backyard care. I am yet to find any evidence—based on empirical evidence, not just hearsay—that there is something substandard going on. I wanted to check whether there had been a trend line as a consequence of these changes or whether the trend line, in that type of care by relatives, has been consistent.

Ms Swift—I think what happens with these sorts of inquiries—this is not a negative comment—is that you do get the negative anecdotes that come to these hearings. You have heard from the grandparents who do not want to be looking after their grandchildren. I think there is always a balance. If grandparents at home are very happily looking after their grandchildren they are not going to come to tell a Senate inquiry about it, because it is not giving them any concern. It is something they choose to do. Similarly, parents who are using any other form of informal care are not likely to come and tell you.

I am not saying that all grandparents are happy to be at home looking after their children. Many of them want to be off doing other things and that is fine too. But I think there is a silent majority out there who are quite happy with the arrangements they have made.

Senator KNOWLES—I could have brought my personal assistant along as one. She would have brought the kids too.

Ms Swift—That is right. There is an attachment to our submission, I am just being told, that shows the formal and informal child care arrangements compared across the years 1990, 1993 and 1996. This column here is showing quite a large number of parents—

Senator KNOWLES—Which one was that?

Ms Swift—It is appendix 1 to our original submission.

Senator KNOWLES—That is right.

Ms Raymond—I understand that the ABS will be specifically categorising grandparents as a separate group in their 1999 survey.

Senator KNOWLES—So it has been pretty consistent. One of the other things that I want to come to is the issue of the net number of centres, because one of the other things we are constantly hearing—and in fact I saw, I think yesterday, another article in the paper saying it—is that more centres had closed.

I am very much aware, for example, of one particular area in my home state where a centre is about to close, purely and simply because people are not using it. That will be written up by those who want to create mischief as a centre that is closing because of the change of policy. I noticed in what you were saying, and in the table—handout 8 I think it was—there had been a net increase of 300. How can this message be so confused? Why are we getting evidence, in every state that we have gone to, that the closures are outstripping the net total when clearly this is not the case? May I also ask as part of that question: from July 1996 to 1 May 1998, these figures have presumably been accumulated by the department themselves; is that right?

Ms Swift—Yes, they are our figures off our data in our database. Every time I hand these over, I hand them over with some caution because I think the closures are difficult to quantify because we have changes of sponsorship and amalgamations, and those sorts of things are quite difficult to be absolutely confident of. I would say the order of magnitude of net openings is 300. I would not want to have to list all the closures and all the openings but that is the order of magnitude.

I think the answer to your question about why you get the coverage of the closures is this: you get the coverage of the closures because that is the thing that sells newspapers. They do not ever really want to talk about the net or the balance of what is happening. What we have found is that the closures are resulting from the oversupply situation. More often than not they are closing in areas of oversupply. Basically it is market forces coming into play. If you have a centre in an area that is offering a better service, then it is going to attract the children and the parents. The ones that are not offering that service in the area are tending to close.

Senator KNOWLES—The other thing that has been used in this fear campaign has been that the quality of staffing has deteriorated dramatically, that the ratios have deteriorated. I understand from what you said in your evidence a moment ago that the evidence that you have got is not that. I have yet to be able to once again gain any empirical evidence of a

drop in quality where one single solitary witness has been able to provide the name and address of such a centre. The comparison staffing profiles I understand you are saying have simply not changed.

Ms Swift—Our preliminary data is indicating that. As I said, I am not confident enough to table that at the moment. I will certainly get it to you as soon as I can once I am confident about it. We had a very quick look at it off the system and the ratios of trained to untrained and paid to unpaid are staying fairly constant over a range of a number of years.

CHAIR—That is not inconsistent with the reduction in total numbers though—ratios remaining the same—is it?

Ms Swift—No, it is not, but there is a bottom line that they cannot go below because they are state licensed. If they have been running with above the state licensing requirements, they could well be reducing staff.

Senator NEAL—That is what they told us.

Ms Swift—But there is a regulation that requires that you have so many staff for so many different aged children. You cannot go below that or you get deregistered. There is a bottom line there.

Senator KNOWLES—But the ratio is the all important thing.

Ms Swift—You have to have so many qualified staff there to the number of children, and it is important: that is what means they are getting looked after properly. In terms of our accreditation, the accreditation is actually still being maintained. The accreditation status is tied to Childcare Assistance, which means that all centres are participating in the accreditation process. Not all of them are accredited yet—some of them are still working through the process—but they are all participating, because the Childcare Assistance is tied to that. I think that is a really positive thing to maintain the quality.

Senator KNOWLES—Ms Swift, I would also like you to comment on hand-out 2 of today, where you show the increases in the cost of child care since 1992. One would believe, having listened to the evidence that we have received, that such increases have only happened since the coalition government came to office. I notice that these changes have occurred gradually over that period of time, that there is no dramatic increase. It is probably somewhat of a hypothetical question but I do not know how else to ask it, because the evidence that has been given to us is that all of these fees are just going through the roof all of a sudden, and therefore people can no longer afford it and children are at risk. This evidence here has been provided by whom? I suppose it has been provided by you, but who has it been compiled by?

Ms Swift—This has come from our database as well; this is our information on our system.

Senator KNOWLES—So this is based on government policies since 1992 and the impact thereof.

Ms Swift—It reflects whatever has been impacting on child care. It would not just be government policies impacting on child care per se but any factor impacting on child care. These have been the increases in average weekly child care fees since 1992.

Senator KNOWLES—That are set by the centres and not by the government.

Ms Swift—That is right.

Senator KNOWLES—Thank you very much. Mr Chairman, I think most of my other questions have been answered in the additional information that has been provided by the department today.

CHAIR—I am sure we are going to have some time so if you have any more we will come back to you, Senator Knowles.

Senator KNOWLES—Thank you.

CHAIR—Senator Woodley has been sitting here patiently.

Senator WOODLEY—I am all right. I am happy to listen to other people.

Senator NEAL—I was just wondering if you could give us the information in a different form. In particular, with hand-out 5 which is just women with dependants under 15, just in straight percentages, are you able to give us a similar graph showing straight numbers rather than percentages?

Ms Swift—Yes, we could.

Ms Raymond—It is unpublished data.

Senator NEAL—You will sneak it to us! If you could do, that would be great. The other one I was very interested in was the openings and closures of centres. It was suggested to us by some evidence—I really cannot remember who it came from—that there were some centres that were not operating but had not handed in their licence, so were not recorded as closed centres for the purposes of state registration. Are your figures here obtained from the state for openings and closures, or are they figures you have ascertained from working out where Childcare Assistance has been paid?

Ms Swift—These are based on where we pay Childcare Assistance, not from the states. But if the centre had handed in its licence—

Senator NEAL—What they were suggesting to us—as I said, I cannot remember exactly who it was—was that there were some centres who were not handing in their licence but had ceased operating. They were basically hanging around waiting for the situation to improve but were still holding their licences.

Ms Swift—Yes. In these tables we have excluded any service that no longer seeks Childcare Assistance. If they are not operating, they would not be seeking Childcare Assistance.

Senator NEAL—Do you have any centres that have that sort of profile?

Ms Swift—I do not have that off the top of my head. We could find that out for you.

Senator NEAL—I am just curious because it seemed to me—

Ms Swift—Yes, it is a very odd scenario.

Senator NEAL—Now you have the limited 7,000 places. The example we were told of, and there were no specifics, was that they did not want to give up their licence because they would then lose their places but that they were not viable so they were not operating, in the hope that the others would go broke.

Ms Swift—So they could spring into life again?

Senator NEAL—Yes. I am wondering if it is possible.

Ms Swift—It would be possible to leave it dormant, I suppose. They would not be counted in ours as closures. We could have a look to see if there is anything we can get on that for you.

Senator NEAL—Thank you. You have given figures of new centres opening for that whole period from 1 July to May 1998. I was wondering, both for community based and private long day care, if they are bunched in a particular area. Did more centres open up over a short period and not very many recently, or was it a fairly even opening?

Ms Swift—I think it is an even spread, from memory.

Senator NEAL—You might want to check that because I thought—

Ms Swift—More in the first half, I think.

Senator NEAL—Yes. I had a vague recollection that you said in estimates that there were more bunched up before October 1997.

Ms Swift—Yes, I think that is right. I think there were. We have provided a subsequent answer to you in estimates about closures. It is a similar sort of profile where they are bunched. We have the dates on that.

Senator NEAL—I have some answers from you but I do not know if I have those yet.

Ms Swift—No, I am sorry, I do not remember where it was. We can send you another copy.

Senator NEAL—Yes, you can provide those to the committee. What I am particularly interested in is this. I think there may be some sort of variation in the general trends of opening and closing because of that October magic date—that maybe a lot of centres rushed to open: centres that may, in the normal course of events, open gradually over a number of years all rushed in to open before that limitation on the number of spots.

Ms Swift—Yes, that could well be. We will certainly have a look for you.

Senator NEAL—Thank you. I have also been given anecdotal evidence—

Ms Swift—Could I give you some information. The peak period for private centre opening was January-February 1997, which saw 78 centres open nationally. There is a whole range of reasons for that, one of which would be business practice of opening at the beginning of a year, which is logical. There did not seem to be any other trend in it that we could pick up. We will give you the list because that is part of the Senate estimates answer anyway. That was the time that we noticed the private centres opening.

Senator NEAL—By the same token, is there any trend in terms of closures?

Ms Swift—No, nothing that we have picked up.

Senator NEAL—So it has been fairly even. Could you check that again?

Ms Swift—Yes. I think that is all in the answer to the Senate estimates question.

Senator NEAL—I think it may be somewhere along the track because I do not think I have got it yet.

Ms Swift—Yes, we will get it for you.

Senator NEAL—With the new centres that have been offered as a result of the restricted 7,000 places, have any of those new places been offered to community based centres?

Ms Swift—None of them have opened as yet. We are still going through the planning process, advertising high need areas and moving with the planning committees.

Senator NEAL—As I understood it, I have been told by some centres that they have been actually sent letters offering them new places.

Ms Swift—If they have applied for them in the high need areas, the process is still happening. I thought you meant whether they had actually opened. I am sorry, I misunderstood your question.

Senator NEAL—What I understood is that, as part of the planning process, letters went out to centres saying, ‘Would you like some of these new places? You are in a high need area.’ I understood they had been sent only to private centres. My question was: have any of those places been offered to community based centres?

Ms Swift—I am told yes. There are 500 community places in New South Wales for next year for rural areas, but I do not know whether they have been offered yet.

Senator NEAL—That is different, is it not? That is a different program.

Ms Swift—Yes.

Senator NEAL—That is rural and remote area.

Ms Swift—It is coming under the planning mechanism. You are talking about the 7,000 places? That is what you are specifically asking in the context?

Senator NEAL—Yes.

Ms Swift—I do not know. As far as I know there is no reason why they would not be offered to community based. I would have to check on what has been offered. It is being run at a state level so that we get the local input into it. I just do not know how many have been offered and to whom. I know the process is happening and it is happening effectively, but I am not sure what offers have been made at this stage.

Senator NEAL—I wonder if you could check that to see what the pro rata is. I understand there are more private centres than community based, but there is some indication that it has not been done on that pro rata base either.

Ms Swift—I do not know that it would be done on a pro rata basis.

Ms Raymond—I remember that this issue was raised particularly in the hearings in Melbourne. We checked with the Melbourne office after that issue was raised, and certainly in Victoria letters were sent to every service in high need areas, whether they were private or community. We can certainly clarify that across the board for you.

Senator NEAL—The other issue I wish to raise is this. As I understand it, some places have been offered. A particular example is the Sutherland council area. A new place has been offered to the council there. I understand those places—if I have the right terminology—have been rejected. Are you aware of that?

Ms Swift—Rejected by whom? Rejected by the council?

Senator NEAL—Yes.

Ms Swift—I do not know; we would have to follow that. That is a very specific example that we could follow up for you.

Senator NEAL—I am wondering whether that is the case, firstly, and, secondly, whether that has happened in any other areas.

Ms Swift—Did you say the Sutherland council?

Senator NEAL—Yes, in the seat of Cook or Hughes. You said before that there had been a decline in the number of children born.

Ms Swift—Yes, we have the figures on that actually.

Senator NEAL—Have you done any research about why there is that rate of decline or are you aware of any research about why there has been this decline?

Ms Swift—I could say ‘safe sex’ if I was being flippant.

Senator NEAL—It never stopped them before.

Ms Swift—Let me just read the figures, for you, for June 1995, June 1996 and June 1997, just to give you a feel. There were 1,299,524 in 1995; that has gone down by 0.19 per cent in June 1996 to 1,297,049.

Ms Swift—In June 1997 it is down to 1,292,230, which is another decline, of 0.37.

Senator NEAL—So we are looking at less than one per cent.

Ms Swift—Yes. They are small declines, but they are showing a trend and that does impact on the demand for our services.

Senator NEAL—How long has that trend been continuing?

Ms Swift—It only started in June 1996 and June 1997, but it has certainly been slowing down.

Senator NEAL—The Howard government made people stop perhaps.

Ms Swift—I do not think we could draw a causal link on that one.

Ms Raymond—Senator, there has been a lot of discussion recently by Peter McDonald from the ANU and other academics, that certainly women are deferring childbirth.

Senator NEAL—I have seen that.

Ms Raymond—I suspect that is one of the reasons.

Senator NEAL—I know what I just said sounds a bit flippant, but I suppose if you are an intelligent woman assessing whether you want to have a child, issues like child care are going to impact on your decision. You do not just randomly have children and then see what happens afterwards.

Ms Swift—Many people would think that might be a good thing.

Senator WOODLEY—I wonder if you might help me interpret my experience. I have been to a number of hearings and my staff have been to others, and we began to pick up a

concern in one particular area. My staff and I have visited quite a number of private child care centres in Brisbane. I visited four on the Sunshine Coast, four or more in Cairns, and a number in Hobart in Tasmania. My staff visited private centres in each of the other capital cities. We found that there was a significant and consistent problem with private child care centres. They are not closed yet, but they are significantly in trouble. I am not talking about one or two here and there but about examples consistently across the sector—unless I only saw the worst of them; but I asked to see a sample.

We are seeing no closures yet, but closures are imminent amongst those private child care centres, commonly with rates of occupancy in some cases as low as 25 per cent but, on average, as low as 40 per cent. I do not believe they were telling me lies, because I saw with my own eyes how many kids were in each room; their occupancy rates and their approved levels; the number of rooms that were closed; and the numbers of children that were not there. What I was seeing was certainly a significant problem, but your graphs do not seem to show that. If the graphs are only really about closures, of course those cases will not show up yet; but they certainly will show up soon.

CHAIR—Senator Woodley, I might refer you to handout No. 8, which has just been referred to me by the secretariat.

Senator WOODLEY—I have not got that.

CHAIR—I will bring it down to you. There is a table of private long day care closures and openings in Queensland. The figures there will be of interest to you, while the witnesses are considering their response. The table shows that in a period in Queensland there were 14 closures but 70 openings, a net gain of 56 private long day care centres—which tends to be in conflict with what you are raising.

Senator WOODLEY—It is certainly not in conflict with what I saw with my own eyes, Chairman; so I would love the department to help me with that.

Ms Swift—Senator, I think what you have seen is what we have been talking about: underutilisation. As with many of these issues in the child care area, there is no straightforward simple answer. I wish there were, because it would be so much easier to solve. Certainly, Queensland is most seriously affected because of the huge growth of the private sector in that state. It is the only state in Australia that has no high need areas for child care centres, because there is such an oversupply. There is certainly underutilisation. I was actually in Queensland for the hearings and I heard a lot of people making the same comments you are making. Certainly, we are concerned about the underutilisation.

The other factor affecting it across Australia—as with the issues you have raised—is some negative impact from the media we have been collecting over the last little while. Certainly, the private sector associations have been saying to us that many parents are not even considering whether they can use child care. It is a vicious circle: when they do not consider it, they do not go; and then the service runs down. Then the service puts its fees up and, when it puts its fees up, the parents cannot afford it. We are in a bit of a cycle like that, at the moment, and we really need to get a handle on it fairly soon.

Senator WOODLEY—One of the statistics I was given—I have not got it in front of me, but you may have it on another chart—is the increase in unregulated child care, which is accessed through the child care cash rebate. The figure I was given for a period of a little over two years in Queensland was an increase of 92 per cent. Can you confirm that? Do you have any figures?

Ms Raymond—We have been looking at the figures relating to the Childcare Rebate. We have found that there has been a small movement—an increase in families using formal care and a decrease in use of informal care. I am aware of the figures that you refer to, and I understand that they were the figures relating to the number of registered carers under the cash rebate system. We are very cautious about using the number of registered carers: we have found that, once a carer is registered, they stay registered—whether they are being used or not. We have tended not to rely on those particular figures. We are trying to get a much better handle on what has been happening in the informal sector.

Senator WOODLEY—It is helpful to have that explanation.

CHAIR—Following Senator Woodley's point, Ms Raymond, you have appendix 1 in your submission, which addresses the number in both formal and informal child care arrangements. Do you have that information broken up by state?

Ms Raymond—That is ABS data and, even if it is not published, I suspect that we can get it for you. We would be able to ask for unpublished data if that is not published.

CHAIR—That would be most useful information, broken up. We have been getting quite significant differences in the different states. It is appendix 1, headed 'Formal and informal child care arrangements'.

Senator NEAL—I assume that handout 1 shows the situation as of now, does it?

Ms Swift—Yes. We did the figures for 1 July.

Senator NEAL—There is a minor change on 1 July.

Ms Swift—Yes.

Senator NEAL—Issues often raised, largely by women giving evidence, are the interaction of child care and tax and also of social security payments like the family payment. I notice that that is not included here.

Ms Swift—Yes, it is included. That is part of their disposable income.

Ms Raymond—The column headed 'Weekly disposable income' shows the combination of social security payments and taxation paid. The model we are using is the model that has been derived by NATSEM. They have all those influences taken into account.

Senator NEAL—I did not realise it was taken into account there; but I meant that it does not really take into account what you lose from getting the income—

Ms Raymond—It has not been itemised.

Senator NEAL—It does not take into account what you lose. The argument we have had from a lot of parents is that if they go into the work force, adding together the social security payments they lose, the cost of child care and the expenses of going to work means that it becomes no longer viable. This does not really seem to reflect that particular problem.

Ms Raymond—I think it should. One of the problems is that the increase in gross income is such that people are concerned that they might earn an extra \$10,000 or \$15,000 per year but would only be receiving a small increase in the amount of disposable income. Even though these figures are showing an increase, they are probably not showing as much of an increase as there has been in their gross income. The table does not actually lend itself to that sort of comparison.

Senator NEAL—That is what I mean.

Ms Raymond—The marginal gain that you are getting from your increased effort is what people are concerned about.

Senator NEAL—Exactly.

Ms Raymond—These figures are supposedly taking them into account.

Senator NEAL—I understand that it takes them into account in working out how much money they have to pay. Are you able to do this same table over time, by going back to 1 July 1997 and 1 July 1996?

Ms Raymond—It is certainly more difficult, because you have to have the tax and social security system payments that were available at that time.

Senator NEAL—I would assume that the social security department would have them, wouldn't it?

Ms Raymond—It should be possible, and we will investigate ways of doing it for you.

Senator NEAL—People are saying, 'In terms of my disposable income over time, I've had to pay more now as a result of the changes than I did previously.' If we do not have anything to compare it with, we do not really know whether that is true.

Ms Swift—It is a very difficult thing to do, as Ms Raymond has said, because of having those historical factors around it.

Ms Raymond—I will certainly investigate that, because we are aware that NATSEM does it all the time.

Senator NEAL—If you could do that, it would be helpful. The other issue I wanted to ask you about was the outside school hours care. You might have seen a lot of publicity

about the latest figure of 88 outside school hours centres that have closed in the past eight weeks or so. Do you have any way of measuring that?

Ms Swift—We have got the closures figures that we gave you in Senate estimates for the period between December 1997 and May 1998: we told you 72 then, but when we went back we found that we had double-counted some of them, and so 68 is really our number, to May 1998.

Senator NEAL—Have you had any further closures that you are aware of since May?

Ms Swift—For outside school hours care for the period 1 June to 19 June 1998, we had two outside school hours care components close nationally: one in New South Wales of 15 places, and one vacation care service in Queensland of 30 places; and they were both due to low utilisation.

Senator NEAL—You said that 72 was the answer before.

Ms Swift—Yes.

Senator NEAL—You have had another two, and so that makes 74, up till 19 June.

Ms Swift—Yes.

Senator NEAL—You are not aware of any that have closed since then?

Ms Swift—None that I have heard of.

Ms Raymond—We are monitoring on a weekly basis, and so the figures will keep coming in.

Ms Swift—Those places are available for re-allocation, if the need arises.

Senator NEAL—Has anyone applied for re-allocation?

Ms Swift—Not to my knowledge, at this stage.

Senator NEAL—Maybe you could check and see if any have closed between 19 June and now. That is not a very long time ago.

Ms Swift—Tomorrow, Senator, we will have next week's figures.

Senator NEAL—If you could advise the committee, again that would be helpful. I know that we had a fairly lengthy discussion at estimates about Childcare Assistance, but I went away and thought of a better way of putting it. Originally, when you did the budget estimates for the 1997-98 year for Childcare Assistance, obviously you made certain assumptions which gave you an estimated expenditure in Childcare Assistance. Now you have found that, in reality, you have actually spent about \$117 million less. What variables

have changed from the assumptions you have made when doing your original calculations for expenditure on Childcare Assistance?

Ms Swift—The major factor has been the reduced growth. We were basing our forward estimates for a number of years on a growth rate that was much higher, as in the 1995-96 era.

Senator NEAL—The growth rate in numbers of children, or in numbers of places?

Ms Swift—Both: we do our forward estimates on both.

Senator NEAL—You had a much smaller number of children than you expected. Did those children individually use fewer hours each?

Ms Swift—We think so. It is really hard to tell, because we have aggregated data. It could be that some of the children are using as much as they were before but that a bunch of them are using blocks of fewer hours and are not using it much at all. I am not explaining that very well.

Senator NEAL—I understand what you mean.

Ms Swift—Because it is an average, it is really hard to tease out, and we have to look at a way of doing that.

Senator NEAL—You have had fewer children than you assumed. What sort of proportion is it? Is it 10 per cent fewer children, or 20 per cent fewer than you expected?

Ms Raymond—I do not think we have actually made that calculation. But certainly we had been assuming that the growth in the rate of children would be similar to the growth in rate of places that we had been experiencing. Our estimates were always done in a period of 100 per cent utilisation—so that, as places increased, we expected the figures for children to increase at the same rate. What we found was that places were slowing, but that the numbers of children were slowing even more.

Senator NEAL—Can I ask you two specific questions? Firstly, how many children were you assuming would access Childcare Assistance? You do not need to answer that now. Secondly, how many children accessed Childcare Assistance in the 1997-98 year? I assume you will take that on notice.

Ms Raymond—Yes. We will take that on notice.

Ms Swift—We were doing those estimates in a period, as Ms Raymond said, of 100 per cent utilisation and of waiting lists. I have to say that in that era we believed that waiting lists would never go away. The estimates were very inflated at that stage.

Senator NEAL—Thank you.

CHAIR—I refer, Ms Swift, to handout 1. It has some quite valuable information in it. Could you tell me what it is intended to demonstrate to the committee? Do you have any analysis of what conclusions can be drawn on the basis of the figures provided? In the column headed ‘Out of Pocket Child care Costs as a % of Disposable income’, you will see both in the top half and the bottom half, on the right-hand side, after the parents have received government subsidies, the percentage of income spent rises with income. That is, it appears to be progressive.

That is quite contrary to a lot of the evidence we have received where the argument has been that the operational subsidies and the Childcare Assistance, particularly cutting into the 25 per cent up to \$70,000, has had a regressive impact in that it has effectively been a subsidy to high income families at the expense of low income families. You are familiar with that argument, aren’t you?

Ms Swift—Yes.

CHAIR—Is the conclusion I draw from those columns valid or invalid? If not, why not? Could you pursue that point, in terms of your response.

Ms Swift—The conclusions you have drawn are valid. The table actually does show that the out-of-pocket expenses, as a percentage of disposable income and after child care subsidies, does increase with income. This has been modelled on an average fee and those sorts of things. The impact on individuals is obviously marginally different from what this is.

CHAIR—Yes. I also note that when you look at the columns going across, the figures for \$27,000 and \$55,000 are, effectively, doubled. So you have put the same formula in descending columns as in the first column to come to a result.

Ms Swift—I am sorry, I did not follow.

CHAIR—If you take the bottom half of the family profile of \$27,000—

Ms Swift—Do you mean for two children in care?

CHAIR—Yes. For \$27,000, the out-of-pocket child care cost is \$83.

Ms Swift—Yes.

CHAIR—If you go down to a family with a \$55,000 income—almost double \$27,000—the out-of-pocket child care costs after child care subsidies is \$164, so \$83 has doubled to \$164.

Ms Swift—Yes.

CHAIR—My conclusion is that you have simply inserted the same formula on your spreadsheet in descending columns.

Ms Swift—It is worked out on a model whereby the tax a person pays at that income level, the social security payments they are entitled to—parenting allowance is included—and a whole range of variables are built into their income. Basically, the formula is to work out how much the fees would be and take them away and work out the out-of-pocket expenses. The subsidy comprises both Childcare Assistance and Childcare Rebate.

CHAIR—Was it a fair conclusion, in summary, that the impact of these, as income rises, is progressive?

Ms Swift—Yes. We expect that the more income people have, the higher percentage they pay out of their salary for child care costs.

Ms Raymond—One of the concerns that had been raised—

CHAIR—That is quite contrary to a lot of either assertions or evidence we have received from various interest groups that the combined effect of Childcare Assistance and subsidies was essentially regressive. This chart really says quite boldly that it is progressive.

Ms Swift—These are the facts, yes.

Mr McRae—If you look at it in the simplest possible terms, for one child, a family earning less than \$27,000 can get around \$95 a week subsidy, but by the time you get up to \$60,000, you are getting virtually no subsidy. It drops away to nothing.

Ms Swift—The other thing it does not include is the operational subsidy. People who were giving evidence to you may have been taking that into account in their evidence. Because the operational subsidy does not exist in community centres any more, our modelling obviously does not include the operational subsidy. That may well be the answer.

CHAIR—Yes. Thank you.

Senator PAYNE—In terms of some of the evidence that we have heard over the past couple of months, we have heard a great deal of evidence from operators in various states about the impact of negative media on their operations—for example, operators saying that they have literally had people walk into their centres to either collect or drop their children and say, ‘So when are your fees going to rise?’, when the operators in question had absolutely no intention of changing their fees. That has obviously had an impact on their capacity to attract new customers and so on. I wondered whether you had had any reports from private operators that the bad publicity was affecting them and whether you are in the position of giving them advice? How is that handled?

Ms Swift—Certainly, we have been told by a number of the associations representing private operators that there is a decline in consumer confidence in the industry. They think that that is a major reason for the downturn in utilisation that they are experiencing. One of the things that we have in place to assist with that is the hotline for parents to ring to find out about local services, and that has been working to some extent. But that is making an assumption that parents are considering it as an option at all.

I think the organisations themselves, to some extent, are starting to look at how they may be able to improve consumer confidence in the area. I think it certainly has had a very significant impact on the sector. It is one of the reasons why we really have to give the reforms a chance to settle back to their natural level before we start trying to make changes and react to the situation too quickly, and thereby cause more problems. It is such a complicated area that if you push one lever it changes 10 or 20 variables. We need to be really clear about what we are doing before we do anything too significant.

Senator PAYNE—Thank you for that, Ms Swift. I have asked a number of witnesses a question in relation to fee setting. When they have suggested that one of the solutions to the problems they perceive or identify would be to raise Childcare Assistance, I have told them that it seems to me that historically, when Childcare Assistance has been raised, fees have increased at the same time—a point to which you referred earlier in your verbal evidence. You said that the government had no control over the fees and that they were set by the centres themselves. Is it your view that it would be desirable to change that situation?

Ms Swift—That would be the last thing the government would want to do. That is a way of managing an industry which I do not think would be acceptable to the industry or the government. I do not think that is the answer.

Senator PAYNE—Thank you.

Senator NEAL—Before, I asked you about the dates of openings of different centres. Could we also have a breakdown of where they are?

Ms Swift—For the extra ones?

Senator NEAL—The ones you have shown as opening on the chart.

Ms Swift—Yes, I think that is a Senate estimates question, actually.

Senator NEAL—With their addresses and everything.

Ms Swift—I think it is on the way.

Senator NEAL—I have forgotten what I have asked now.

Ms Swift—If it is not, we can just give you a copy of both.

Senator NEAL—We will probably need it for this committee because, even though the estimates are for me—

Ms Raymond—We will provide it to you.

Senator NEAL—We will need it in terms of doing our committee report.

Ms Swift—We will just do another copy.

CHAIR—Thank you, Senator Neal. I have got about 25 or 30 quite detailed questions here that have been prepared at my request by the secretariat and go to a range of contradictions and discrepancies that emerged in the other six days of hearings. Some of that material has been answered already in your presentation today. I think it might be best if I give these questions to you and ask for you to take them on notice because some of them are quite detailed and they go to, as I said, the issues that are at the heart of this debate and they might be worthy of your serious consideration. So I will give these to you at the conclusion and ask you to take them on notice and get a response back to us.

Ms Swift—Thank you. It would be useful for us to have them as well, to hear the sorts of issues you are concerned about.

CHAIR—Further questions?

Senator NEAL—Just one more. You gave figures earlier on about the division between informal and formal care, and also on parents. One of the things in particular that was raised in Queensland—I think Senator Woodley mentioned it—was about informal centres in which parents pay for care but which are not registered with the state body. They cannot access Childcare Assistance but they can access the Childcare Rebate. Have you been asked about figures on that growth, or are you able to give them?

Ms Swift—Yes, we have—about the increase in the Childcare Rebate?

Senator NEAL—No, not just the rebate but the number of informal child care centres.

Ms Swift—No. We would not have figures on those.

Ms Raymond—No, we do not.

Senator NEAL—Would you be able to calculate them from where claims are made for the rebate?

Ms Raymond—I do not think so.

Mr McRae—I think, Senator—I will go and check for you—that the information on the rebate just bunches all the informals together and the vast majority of the informal carers are obviously families at home. I will explore it for you but I do not think that is available.

Senator NEAL—It is a problem that has been raised with me many times, particularly in Queensland, and obviously I am trying to quantify how big the problem is and how real the problem is.

Ms Raymond—Senator, that was raised at a recent advisory council meeting that we held in Brisbane. It was actually raised by Gwynn Bridge, who is one of the private sector operators in Queensland, and the state government representative said that the Queensland government was very concerned about this and was looking at measures to address it in terms of the growth in that particular category of care and to actually try and register it.

Senator NEAL—Yes. I think they have had the legislation sitting around for a while but they have not introduced it.

Ms Swift—Yes. They gave evidence to say that they had it well under way, but at that stage, being in caretaker mode, they were not progressing it. But it has been around a long while.

Senator NEAL—I think it has actually been sitting there for some time from when they drafted it, while the government was not caretaker, so there may have been more problems than just the fact that it was caretaker.

Ms Swift—I do not think it is an area to regulate.

Senator NEAL—Thank you.

CHAIR—Thank you, Senator Neal. I thank the representatives of the Department of Health and Family Services. Your presentation and evidence have been most useful. The committee stands adjourned.

Committee adjourned at 5.53 p.m.